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Kiu Hung International Holdings Limited

僑雄國際控股有限公司

(incorporated in the Cayman Islands with limited liability and continued in Bermuda with limited liability)

(Stock Code: 00381)

INSIDE INFORMATION MEMORANDUM OF UNDERSTANDING IN RESPECT OF ESTABLISHMENT OF A JOINT VENTURE

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

THE MEMORANDUM OF UNDERSTANDING

The Board is pleased to announce that on 15 October 2020 (after trading hours of the Stock Exchange), Sichuan Kiu Hung Property Co., Ltd.* (四川僑雄置業有限公司), a wholly owned subsidiary of the Company, entered into the memorandum of understanding (“**MOU**”) with Mianyang Liaofan Shande Senior Care Services Ltd.* (綿陽了凡善德養老服務有限公司) in respect of the possible establishment of a joint venture in the PRC (“**Possible Cooperation**”).

As for the registered capital of the joint venture, the Company will contribute capital in cash, accounting for 85% of the registered capital of the joint venture, while Mianyang Liaofan Shande Senior Care Services Ltd.* (綿陽了凡善德養老服務有限公司) will contribute capital in cash, accounting for 15% of the registered capital of the joint venture.

PRINCIPAL TERMS OF THE MOU

Date: 15 October 2020

Parties:

- (1) Sichuan Kiu Hung Property Co., Ltd.* (四川僑雄置業有限公司) (a wholly owned subsidiary of the Company); and
- (2) Mianyang Liaofan Shande Senior Care Services Ltd.* (綿陽了凡善德養老服務有限公司)

To the best knowledge and belief of the Directors after making all reasonable enquiries, Mianyang Liaofan Shande Senior Care Services Ltd.* (綿陽了凡善德養老服務有限公司) (including any of its subsidiaries, if any) (the “**Companies**”) is an independent third party of the Company and its connected persons.

NATURE OF THE TRANSACTION

The Company and Mianyang Liaofan Shande Senior Care Services Ltd.* (綿陽了凡善德養老服務有限公司) agreed to establish a joint venture in the PRC.

EXCLUSIVITY

Pursuant to the MOU, during the period commencing from the date of the MOU and ending on the earlier of (i) thirty (30) days after signing of the MOU; or (ii) the written confirmation by both parties that negotiation on the Possible Cooperation shall discontinue; or (iii) the breach of the confidentiality obligations as contained in the MOU by either party (or its subsidiaries and affiliates, or their representatives) (the “**Exclusivity Period**”), the Parties shall not enter into any agreement, arrangement or understanding with any other party in relation to the establishment of the joint venture; and (iv) the Parties shall negotiate in good faith the establishment of the joint venture to the exclusion of all other parties.

DUE DILIGENCE

After signing of the MOU and during the Exclusivity Period, the Company (and its advisers and/or agents) shall be entitled to conduct due diligence, which comprises investigations into the conditions, legal ownership, and legal matters of the Companies, and inquiries with offices in charge of trademarks and patents, to ascertain that the patents are registered in the names of the Companies. Mianyang Liaofan Shande Senior Care Services Ltd.* (綿陽了凡善德養老服務有限公司) shall provide assistance to the Company (and its advisers and/or agents) in this respect.

FORMAL SHAREHOLDERS’ AGREEMENT

The parties to the MOU shall negotiate in good faith to ensure the formal agreement is entered into as soon as possible and in any event, within thirty (30) days from the date of signing the MOU, or such later date as the parties to the MOU may agree in writing.

LEGAL EFFECT

The MOU does not constitute legally binding obligations on the parties governing the substantive terms in relation to the possible establishment of the joint venture (including the issue price, the consideration, and the capital commitment) but is legally binding as to some miscellaneous and general terms, including confidentiality, the Exclusivity Period, due diligence review, expenses, termination, and governing laws as contained therein.

INFORMATION ON POSSIBLE ESTABLISHMENT OF THE JOINT VENTURE

(I) Name of Joint Venture and Business Scope

The business scope of the joint venture (which will be named as Zhongshang Liaofan Healthcare Management Limited* (中商了凡健康醫療管理有限公司)) shall include: the building and development of ecological agriculture, health and tourism industries, the development of pastoral complex; the development and research of the elderly-friendly technology products, the development and construction of the experience base for promoting filial piety and health, the development and construction of online shopping mall, the building of a health management platform, the construction of several training bases for practitioners in the elderly care industry, and the development of medical base for rehabilitation (the business scope of which is subject to the registration and approval by the administrative authority for industry and commerce in the PRC).

(II) Term of Operation

The term of operation of the joint venture is 50 years, which may be extended by approval of the shareholders of the joint venture holding more than two-thirds of the voting rights.

(III) Registered Capital and Form of Capital Contribution

As for the registered capital of the joint venture, the Company will contribute capital in cash, accounting for 85% of the registered capital of the Joint Venture, while Mianyang Liaofan Shande Senior Care Services Ltd.* (綿陽了凡善德養老服務有限公司) will contribute capital in cash, accounting for 15% of the registered capital of the joint venture. The joint venture will become a subsidiary of the Company.

(IV) Composition of the Board of Directors and the Supervisory Committee

According to the articles of association of the joint venture, the board of directors of the joint venture will comprise three directors, among which two directors will be nominated by the Company and one director will be nominated by Mianyang Liaofan Shande Senior Care Services Ltd.* (綿陽了凡善德養老服務有限公司). The chairman of the board of directors will be nominated among the directors nominated by the Company.

(V) Non-competition

After the establishment of the joint venture, if the Company (or the enterprises under its control) has new business opportunities for healthcare and geriatric care projects that compete with the joint venture in the PRC, the Company shall prioritize such business opportunities to the joint venture.

During the period of establishment of the joint venture by the Company and Mianyang Liaofan Shande Senior Care Services Ltd.* (綿陽了凡善德養老服務有限公司), the joint venture is responsible for the management of the enterprises operating healthcare and geriatric care businesses in the PRC which is under the control of the Company.

INFORMATION ON THE PARTIES

The Company is principally engaged in the investment holding. The principal business of the Group is manufacturing and trading of toys and gifts, as well as investment in various businesses including fruit plantation, leisure and culture. The Group will review its business from time to time for the purpose of exploring other profitable investment opportunities, and it is committed to expand its existing business while diversifying its business and revenue base to bring the best benefits to the Group and Shareholders as a whole.

To the knowledge of the Company, Mianyang Liaofan Shande Senior Care Services Ltd.* (綿陽了凡善德養老服務有限公司) provides customers with maintenance services for the elderly, agricultural leisure sightseeing services, sales of vegetables, fruits, flowers, nursery stock and aquatic products, catering and entertainment services, sales of automobiles, daily necessities, household appliances, clothing, shoes and hats, and e-commerce.

As advised by Mianyang Liaofan Shande Senior Care Services Ltd.* (綿陽了凡善德養老服務有限公司), based in Mianyang, the joint venture will be committed to enabling the elderly to have access to elderly care and to have a sense of security, happiness and worthiness, based on a high starting point and high standards, across the country. In the initial stage, the Companies will mainly develop its business in Sichuan. In the later period, the Companies will expand into the national market by relying on the Chengyu Economic Cluster.

REASONS FOR AND BENEFIT OF THE POSSIBLE COOPERATION

Over the last 18 years of population aging from 1999 to 2017 in the PRC, the population of senior citizens reported a net increase of 110 million. It is expected that the population of senior citizens in the PRC will peak at 487 million around 2050, accounting for 34.9% of the total population. As the population aging accelerates in the PRC, the senior service targets due to empty nests, single residence, and advanced age will grow significantly, which will also represent a major source of elderly care. In the meantime, with a growing economy, the PRC gradually becomes a moderately developed country with sufficient social insurance and retirement pension for senior citizens. The high-income individuals aged from 50 to 70 years old continue to grow, in which case, the premium elderly care and novel elderly care will also represent the major future markets. From 2014 to 2050, the senior service industry has seen the market consumption potential growing from RMB4 trillion to RMB106 trillion, representing an increase to 33% from 8% in terms of the percentage of GDP. If the market expansion initiatives are effective, the scale may grow from RMB5 trillion to RMB133 trillion, representing an increase to 42% from 10% in terms of the percentage of GDP. Therefore, the next ten to fifteen years will be the golden age for developing the senior service market. The Company and its subsidiaries (collectively referred to as the “**Group**”) will realign our policies on the industrial structure by tapping into our advantages as a listed company and combining with our diversity development strategy.

In order to achieve the expected return on investment from the joint venture upon its establishment, the Group has identified Ms. Liu Shuer (“**Ms. Liu**”) and Mr. Dong Xiaobin (“**Mr. Dong**”) as the investment director and managing director for the management and operation of the joint venture, respectively. The detailed background information of Ms. Liu and Mr. Dong is as follows:

Ms. Liu

Ms. Liu, aged 36, obtained a bachelor’s degree in English from Southwest University of Science and Technology in 2005. Ms. Liu has over 15 years of experience in operation and management of educational institutions and other public welfare undertakings. Ms. Liu is adept at planning, management and training, and is well versed in efficiency improvement, cost saving and delivery of consistent high-quality services through operational control procedures. Ms. Liu had held various management positions at Hope Education Group, Washington International School, U.S. and Shanghai Longfei International Logistics Co., Ltd.

Mr. Dong

Mr. Dong, aged 31, devoted himself to starting his own business immediately after graduation from Mianyang School of Finance and Economics (綿陽財經學校) in 2009. Mr. Dong is well-versed in enterprise architecture design and setting process rules. He has accumulated over 10 years of experience in investment in start-ups. Mr. Dong had served as the director of the Specialized Committee of Plant Protection and Agricultural Machinery of Sichuan Province (四川省植保農機專委會) and an entrepreneur mentor in Mianyang City.

The Directors of the Company believe that the terms of the transaction under the MOU are fair and reasonable, and the transaction is in the interest of the Company and its Shareholders as a whole.

GENERAL

In the event that the Possible Cooperation materialises, it may constitute a notifiable transaction of the Company under the Listing Rules. Further announcement(s) in relation to the Possible Cooperation will be made by the Company as and when appropriate in compliance with the Listing Rules.

There is no assurance that any transactions referred to in this announcement will materialise or eventually be consummated. Shareholders of the Company and potential investors should note that the Possible Cooperation is subject to, among other things, the entering into of a formal agreement, major terms and conditions of which are yet to be agreed. The Possible Cooperation may or may not proceed and the final structure and terms of the Possible Cooperation, which are still subject to the result of the Assets Restructuring and upon further negotiations between the parties, have yet to be finalised and may deviate from that set out in the MOU. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Kiu Hung International Holdings Limited
Zhang Qijun
Chairman

Hong Kong, 15 October 2020

As at the date of this announcement, the Board comprises three executive Directors, Mr. Zhang Qijun, Mr. Chen Jian and Mr. Liu Mingqing and five independent non-executive Directors, Mr. Wang Xiao Ning, Mr. Cheng Ho On, Mr. Kong Chun Wing, Mr. Lai Chi Yin, Samuel and Ms. Chen Yuxin.